



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

NORTH AMERICAN REVIEW.

No. DLXI.

AUGUST, 1903.

MR. CHAMBERLAIN'S PROPOSALS.

BY THE RIGHT HONORABLE SIR JOHN E. GORST, M.P.

THE Unionist party in Great Britain was lucky in the General Elections of 1895 and 1900. In the former, the amelioration of the condition of the people was put forward as an alternative programme to the separation of Ireland from Great Britain. In the latter, which took place in the middle of the Boer War, it was proclaimed that a vote for the opponents of the Government was a vote given to the public enemy. But, since 1895, little has been done to improve the condition of the people, which to those who look below the surface is pregnant with danger; and, since 1900, the glamour of the war has gone; the people are looking about to see what they have gained by it, but perceive only the burdens and difficulties which it has left behind. There is thus an immediate need of a fresh platform for the next election, and it is this which Mr. Chamberlain is endeavoring to supply. His first suggestion was to go for the consolidation of the British Empire by means of a tax on the food of the British people; but his proposals change from day to day, and have now assumed the shape of fiscal retaliation on foreign countries, and especially upon Germany, for their hostile tariffs, with the British Empire and the bread-tax in the background. This declaration of a policy was made by Mr. Cham-

berlain without previous consultation with his colleagues in the Government; it took them as completely by surprise as it did the British people and the world at large. There is nothing new in either of the proposals, or in any of the arguments by which they are supported. They have frequently been propounded and discussed in Great Britain during the last quarter of a century. The thing that is new is that they should be fathered by a person of such political position and influence, and be put forward as the platform for a great party at a General Election.

Several members of the Cabinet are notoriously opposed to the new policy, but the unity of the Government is preserved for the moment by a pretended inquiry into the whole fiscal system of Great Britain, and an invitation to discussion given to a House of Commons that has been effectually gagged. To inquiry there can be no objection, though it is evident that it should have been held before, and not after, the promulgation of the policy. In all sciences it is necessary now and then to go back to first principles with those unacquainted with the subject. Politicians have long paraded ignorance of political economy as a merit. That they should now desire to inform themselves on the subject is satisfactory. The materials are all ready to hand in official papers, and only require arranging. The object is to ascertain the effect of Free Trade on the industry, commerce, and condition of the British people. That these are subject to other influences, far stronger than those of tariffs, does not seem to be taken into account. It will be difficult to separate the effects caused by taxes from those caused by other influences, and the separation will probably not be attempted. The argument will be conducted on the old logical fallacy of "*post hoc, ergo propter hoc*." The prosperity of Free Trade countries, like Great Britain, India and Egypt, will be set in competition with that of Protectionist countries, like Germany, France and the United States. Protection cannot in every case prevent prosperity; nor Free Trade, decay.

The original form in which Mr. Chamberlain presented his new policy was, for electoral purposes, ill-judged. Trade preference to the Colonies involved, as he frankly declared, a tax upon the food or raw material coming from foreign countries. A tax on raw material was not to be thought of; it would cripple the industries of Great Britain in a worse manner than hostile tariffs. There remained only food. There would have been plenty of false

prophets quite ready to argue and declare, in defiance of the principles of political economy, that taxation of food does not tend to raise the price of food, and to ignore the fact that, if it did not, no benefit would be conferred on the Colonies. But the ground has been cut from under their feet by the declaration of Mr. Chamberlain that his policy would raise the price of food. He accompanied this, it is true, by the promise that it would also raise wages—an example of how much more powerful, in British politics, audacity of statement is than scientific truth. But a rise in the price of food is the one thing that nobody has ever yet persuaded the British workman to accept. Future promises of better trade, more employment, higher wages, and a great and glorious Colonial Empire would, at an election, be vehemently made by one party, and as vehemently discredited by the other. As to these, the mind of the elector would be in doubt and bewilderment. But the present certainty of increased cost of food will be nakedly before him, reluctantly admitted by one side, pressed on him with all the arts of eloquence by the other. To which will he incline?

To estimate the possibility of persuading the electors to adopt a scheme which involves a tax on food, the true economic condition of the people of the United Kingdom must be taken into consideration. The mass are workers, whose life is a continuous struggle to obtain for themselves and their families food, clothing and shelter. There is a certain sum of money which will purchase enough of these necessities to secure moderate comfort. This is called "the living wage." It varies in different parts of the country, owing chiefly to variations in the price, not of food or clothing, but of shelter. What proportion of the people fail to obtain this living wage cannot be certainly and accurately determined by any statistics in existence. The best conjecture seems to be that it cannot be less than thirty per cent. These people are half-starving themselves, and are bringing up half-starving families of children. The condition of disease, debility and defective sight and hearing, in the public elementary schools in poorer districts, is appalling. The research of a recent Royal Commission has disclosed that of the children in the public schools of Edinburgh, seventy per cent. are suffering from disease of some kind, more than half from defective vision, nearly half from defective hearing, and thirty per cent. from starvation. The physical deteriora-

tion of the recruits who offer themselves for the army is a subject of increasing concern. There are grounds for at least suspecting a growing degeneracy of the population of the United Kingdom, particularly in the great towns. What will be the effect of a sudden increase in the price of food upon a people in such a condition?

In the first instance, the scale of the minimum wage, that is, the number of shillings required for the maintenance in reasonable comfort of the workman and his family, would be everywhere raised. A number of those who are now above the poverty line would be submerged below it, and those already below it would sink still lower down into deeper distress. Such an augmentation of the present menacing destitution of the mass of the population in the British Isles could not be borne. The people could only be persuaded to accept it by the arts of unscrupulous demagogues; and the actual experience of such a catastrophe would create a revulsion so violent as to threaten the stability of society. But, say the supporters of the Scheme, with a fine disregard of economic principles, a rise in the price of food will raise wages. The proposition is untrue, and no attempt is made to prove the assertion. The struggle for the minimum wage would become fiercer, but not of necessity more successful. Colonial preference would only have even a tendency to raise wages in those industries which became more active and prosperous under such a system. In them the increased wages would have to be fought for. Among the rest of the workmen, the necessity of spending a greater part of their wages on food would diminish the sum available for the purchase of other commodities, and would thus lessen their demand for the product of home industries. This would tend to restrict production in those industries, and to throw workmen out of employment, whose competition in the general labor market would tend to lower instead of to raise wages. But what evidence is there, apart from reckless assertion, that any industries will become more prosperous? It is certain that no self-governing British Colony will abandon the protection of Colonial against British manufactures. Their settled policy is the protection of their infant industries against the competition of other countries. The utmost they will do is to give a preference to Great Britain over foreign countries in supplying those manufactured articles which they cannot supply themselves, and which it is therefore still necessary for

them to import. Such a preference has been given for some years by Canada. The Colonial Secretary of Great Britain, at the Conference of Colonial premiers in 1902, gratefully acknowledged the intention of this proposal, and its sentimental value as a proof of good-will and affection, but its substantial results had, he said, been altogether disappointing to him, and he thought they must have been equally disappointing to its promoters. While the free trade of Canada, upon which no duty is levied, had increased by sixty-seven per cent.; and the general trade, that is, the trade from foreign countries under the general tariff, by sixty-two per cent.; the preferential trade, that is, the trade in articles in which one-third of the duty was remitted to British goods, had increased by fifty-five per cent. only. In the case of textile manufactures, which form more than two-thirds of the total British export to Canada, although the rapid falling off prevailing at the time when preference was instituted was arrested, the increase under preference of imports of textiles into Canada from the United Kingdom was not quite so great as that from other sources.

The market in which the Colonies can handicap foreign countries in favor of Great Britain by discriminating tariffs, is not large. It consists of those imports from foreign countries which British trade could supply, and has been estimated at twenty millions only. The experiment in Canada does not warrant the belief that Great Britain could monopolize the whole of it; but, whatever its value, the portion which she secures is all she is to get in return for the tax on food. Compared with the total British export trade of 350 millions, it is insignificant. But is there nothing on the other side to be lost or jeopardized? The exports of Great Britain to foreign countries are twice as great as those to her own possessions. Is there no danger of this trade being injured? Countries which have hostile tariffs may, by increasing those tariffs, cause a further diminution in the demand in their territories for British manufactures. If wages are raised in any industries in Great Britain as a consequence of Colonial preference, the cost of production will be thereby increased, and the commodities will, in consequence, be handicapped in the competition in the general markets of the world. If an account is taken on both sides, may not the gain in exports to the Colonies be more than balanced by the loss elsewhere? If so, the industries which manufacture for external trade will also suffer; workmen will have to

be discharged; their competition in the general labor market will still further tend to lower wages; and the result of Great Britain's experiment in commercial policy may be a diminution of wages as well as an increase in the price of food.

It was noted by the Premiers, at the Conference of 1892, that the circumstances of the different Colonies differed so widely that no arrangement applicable to all could be devised. To carry out, therefore, the policy of giving commercial preference over foreign nations to the several parts of the British Empire, there would have to be separate bargains with each of the self-governing Colonies, and a revision of the fiscal systems of India and each of the Crown Colonies which have hitherto been administered on Free Trade principles. On the side of the people of the United Kingdom, what these arrangements will cost them is clear enough. They will have to pay a tax in the increased price of their food. Of this, part will find its way into the national exchequer as revenue; part, into the pockets of the farmers and landlords at home, as long as Colonial competition does not drive British food out of the home market; and part into those of the Colonial producers of food. The first part is to provide a fund for old-age pensions. But, as the food-growing capacity of the Colonies is stimulated and developed by the high prices kept up, and as they supply more and more of the food consumed by the people of the United Kingdom, the first part will dwindle away. With it will disappear the fund for old-age pensions. If the dreams of Imperialists be realized and the Empire become self-contained, there will also disappear that great security for the peace of the world involved in the fact that Great Britain is the best customer for the surplus food produced by the United States of America. But, until the Empire does become self-supporting, Great Britain will continue to pay a tax to her Colonies in the shape of an enhanced price of her food. What the people of the United Kingdom are to gain is by no means so clear and certain. It depends on the solution of the difficult economic problems above indicated. Will the export of British manufactures to the Colonies increase? Will that increase more than counterbalance the decrease of such exports to other countries? If both these questions are answered in the affirmative, the producers of certain articles may make increased profits, and the work-people may, as a consequence, obtain increased wages. Whether the possible future gain to certain

members of the community balances the certainty of immediate loss to everybody, is the question which the people, when consulted by a dissolution of Parliament, have to decide.

If the condition of the people of the United Kingdom is such that they are incapable of undertaking the burdens which it is proposed to put upon them, it seems superfluous to discuss the value of the "Consolidation of the Empire," which is to be their reward. They have been willing to fight for it; man is by nature a fighting animal; and war is, while it is going on, generally popular with mankind. But people cannot be expected to endure, in cold blood, hunger for a cause which they do not understand. The Colonies are at present united to the Mother Country by the closest bonds, though bonds of sentiment only. They have a common sovereign, who in no way interferes with their political freedom, a common origin, a common literature, a common language. Numbers of their citizens are united by common ties of family relationship. They are as free to make their own laws, to raise their own revenues, to develop their own ideals, as if they were independent states. Their commerce is secured, and their territories protected against invasion by the fleet of the Mother Country, to which they make only such contribution as they think fit. Their loyalty is unquestioned. Their sympathy with the Mother Country and their readiness to come to her aid in time of war have, on many recent occasions, been practically exemplified. Why should not Great Britain be satisfied with this real and useful, though informal, union; why should she risk the snapping of the bond in an attempt to draw it closer? Several conferences have recently been held between the representatives of Great Britain and her self-governing Colonies. No suggestions of closer political union have come from the Colonies. Proposals for a military confederation were, happily for Great Britain herself, rejected. The Colonies were unwilling even to contribute a proportionate share of the cost of the Imperial Navy. Canada could not undertake to contribute at all. It is true that the self-governing Colonies have asked for commercial preference, and have intimated that no preference will be of advantage to them but one in the importation into Great Britain of food or raw material. No one can blame the Colonies for asking for that which is obviously for their interest. But neither can they blame the Mother Country for declining a burden she is unable to bear.

Nobody dreams now of taxing Colonies or Dependencies for the benefit of the Mother Country; they, on their side, must not dream of taxing the Mother Country.

It is not at all certain that the bonds of commercial contracts would conduce to a more stable union between Great Britain and her Colonies. Each party to a customs arrangement might conceive itself to be getting the worse of the bargain. Yet, if the step were once taken, neither party could break loose without risk of offending the other. Great Britain might find herself hampered in negotiations with other states. Colonies might have to forego advantageous offers, such, for instance, as the United States might any day make to Canada. The policy might result in division rather than consolidation.

But it has already become pretty clear that the taxation of food, for the purpose of consolidating the Empire, will not do as an election cry. Electors can be stirred up to fight, but it is hard to persuade them to hunger. Taxation of Food has thus retired into the background, and is kept out of sight as much as possible, and Retaliation has come to the front. Great Britain is, by the imposition of new customs duties, to punish foreign countries, and especially Germany, for their hostile tariffs. She is by the same expedient to prevent retaliation on the Colonies for any commercial preference they may accord to Great Britain; and, in the process, she will incidentally protect British industries. Such a cry is not unlikely to be popular. A war of tariffs furnishes a mild joy, of the same character as the fiercer joy of a war of bloodshed. Nations are not so altruistic as to rejoice in the progress and prosperity of their neighbors, especially when accompanied by an alleged diminution of their own. Germany is specially obnoxious to the commercial and industrial classes of Great Britain. So long as Mr. Chamberlain's supporters are only required to express a pious opinion in favor of retaliation in general, and employ themselves in an inquiry into our fiscal system without pledging themselves to any specific scheme, he will be at the head of a sanguine and united party. It is when a definite plan is promulgated, and the commodities to be taxed are specifically set forth, that difficulties will begin.

Nobody has yet succeeded in suggesting a retaliatory tax that would not hurt the retaliator more than the country to be punished. Great Britain's imports of German manufactures, which are

less than half the exports of British manufactures to Germany, consist largely of half-finished articles, which are the "raw material" of finishing industries in Great Britain. It is the trade in these half-finished products that has most injured corresponding industries in Great Britain. The production of a schedule of those articles made in Germany, which it was proposed to subject to a prohibitory import duty, would be a death-blow to the entire policy of retaliation. The manufactured article of one industry would prove to be the raw material of another. Great Britain is free at this moment to denounce her commercial treaties, and to embark on a war of tariffs, with all her commercial competitors. Nothing but the unwisdom of such a course restrains her. There have been times in recent history when the whole British people was inclined to retaliation. Such a crisis occurred after the denunciation of the French Treaty negotiated by Mr. Cobden. But a sober examination of the position showed that there was no commodity imported from France the taxation of which would seriously injure French trade, or have any further economic effect than to cause inconvenience and expense to certain classes in the United Kingdom. The idea was then reluctantly given up. At the present moment, the success of Germany in certain branches of manufacture, and the alleged consequent decay of some British industries, have given rise to a similar sentiment. German success from a British point of view is to be regretted; but the failure of Great Britain cannot be cured by so simple a method as a prohibitory import duty on these excellent German manufactures. That would at most protect the inferior British article in the British market, not in the markets of the world. The technical education of a more skilful class of workmen, and the employment by the capitalist of more scientific methods, furnish the slower, but only effective, way of restoring the supremacy of British industry. In the world's competition, victory will belong to that nation which breeds the strongest and cleverest workers, and applies to its industries the best scientific methods. Let those who think otherwise, and believe that so coarse and brutal a method as a tax can confer ascendancy, announce explicitly upon what commodities the tax is to be imposed.

But it must not be overlooked that this second proposal, which is at the present moment being assiduously and adroitly substituted for the first, raises an entirely different question. It is one

which involves only the interests of British manufacturers, not the consolidation of the Empire at all. Preferential treatment of the Colonies, involving, as it must, a stipulation with them to impose a certain minimum duty on food or raw material imported from foreign countries, would seriously hamper Great Britain in a war of tariffs. She would have deprived herself of the power of reducing, at her own will, the duties on food or raw material below the standard agreed on. She could make no concession that would be of any value to such a country as the United States, without first obtaining the consent of all the Colonies, whose interest it would be to insist on the maintenance of high tariffs. Nor is the adoption of a policy of retaliation either desired by, or of much advantage to, the Colonies. The question was fully considered at the Conference of Colonial Premiers in 1902. Germany had threatened to retaliate upon Canada for her preferential treatment of Great Britain. As the self-governing Colonies have up to the present time been independent fiscal authorities, no complaint can be fairly made against Germany for treating Canada as such in commercial negotiation. But Canada brought under the consideration of the Conference the possibility of the Colonies losing "most favored nation" treatment in foreign countries, in the event of their giving a tariff preference to British goods. It was, however, observed by the Conference that the exports from the Colonies to foreign countries consisted almost exclusively of articles of food or raw materials for various industries, and the possibility of discrimination against them in foreign markets was not regarded as serious. They also observed that the exports from foreign countries to the Colonies were mainly manufactured articles, and it was therefore recognized that, if discrimination did take place, the Colonies had an effective remedy in their own hands. In plain words, they declared themselves quite competent to protect themselves, without the intervention of the Mother Country.

That which will make a policy of retaliation popular at an election is the hope, cherished by every elector, that not only will the insolent foreigner receive a rebuff, not only will the Colonies be safeguarded by the Mother Country from the insolent foreigner's hostile designs, but a little substantial protection will be incidentally conferred upon the particular industry in which he is personally interested. Nothing will entirely dissipate this hope,

except the production of a concrete schedule of the articles which it is proposed to tax. Such a schedule will be carefully withheld until the elections are over. The taxation of manufactured articles from Germany or elsewhere is, however, a small matter, as compared with the greater scheme at the front of which it is for the moment placed. It may disturb a number of minor industries; it will not create a famine or a revolution. The preferential treatment of the Colonies, and the inevitable increase, according to Mr. Chamberlain's own statement, of the price of food, are still in the background. If this proposal is definitely withdrawn, the controversy sinks into one of minor importance. It is only the old idea of Protection, *alias* Fair Trade, *alias* Reciprocity, *alias* Retaliation, which has been continually paraded before the British public for more than a generation. But, if the Colonial preference and the consequent tax on food are persisted in, Great Britain is embarking upon a contest in which her very life is at stake. It is an attempt to place upon the back of the people a burden which they cannot in their present condition bear. If they are deluded by the oracles of false prophets into attempting to undertake it, they will be crushed to the ground.

JOHN E. GORST.